

# Grant Samuel Epoch Global Equity Shareholder Yield

Quarterly Investment Option Update

30-June-2018



## Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP2021AU
AMP Flexible Super – Choice (Super)	AMP2026AU
CustomSuper	AMP1996AU
Flexible Lifetime – Allocated Pension	
Flexible Lifetime – Super	AMP1996AU
SignatureSuper	
Flexible Lifetime Investment (Series 2)	AMP2033AU

## Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au). You can also view the last investment performance specific to you by visiting your My Portfolio account.

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## Overview

**Aim & Strategy:** The strategy's goal is to generate superior risk adjusted returns with a dividend yield that exceeds the dividend yield of the MSCI World ex-Australia in Australian dollars (net dividends reinvested). The strategy is designed for investors who want a medium to long-term exposure to a portfolio of high quality global companies with attractive income and capital appreciation potential. The strategy pursues attractive total returns with an above average level of income by investing in a diversified portfolio of global companies with strong and growing free cash flow

**Investment category:** Global shares – income

**Suggested Investment Timeframe:** 3+ years

**Standard Risk Measure:** 6/ High

Asset Allocation	Actual (%)	Range (%)
Equities	97.7	90-100
Cash	2.3	0-10

## Holdings

Industry Exposure	%
Consumer Discretionary	4.1
Consumer Staples	12.1
Energy	11.1
Financials (including Property)	19.5
Health Care	10.0
Industrials	6.8
Information Technology	5.5
Materials	2.7
Telecommunication Services	11.5
Utilities	14.3

Regional Exposure	%
USA & Canada	51.2
United Kingdom	16.3
Europe ex UK	26.0
Asia ex Japan	1.6
Australia & New Zealand	2.7

Top Ten Securities	%
Verizon Communications Inc.	1.8
Total SA	1.8
Royal Dutch Shell Plc	1.7
GlaxoSmithKline plc	1.7
Imperial Brands	1.7
Astrazeneca PLC	1.7
BCE Inc.	1.7
Munich Reinsurance Company	1.7
Duke Energy Corporation	1.6
Altria Group Inc.	1.6

## Market Commentary

Stocks had gains amid higher volatility, helped by supportive economic data and strong corporate results. This was particularly true in the U.S., where tax expenses declined for many companies even as pretax income grew, leading to the strong quarterly results. Trade tensions undermined some of the positive sentiment. After months of harsh rhetoric, the U.S. and China unveiled plans for additional tariffs worth billions. The U.S. dollar strengthened against other major currencies. Emerging equity markets declined sharply in USD terms.

## Investment Option Commentary

The Fund had positive results, supported by holdings in the energy, utilities, health care, real estate and information technology sectors. Companies within the diversified portfolio

continued to grow free cash flow and remained committed to returning cash to shareholders through a combination of cash dividends, share buybacks and debt reduction.

In relative terms, the Fund lagged the benchmark largely due to what the Fund did not own: namely, "FANG," the acronym coined for Facebook, Amazon, Netflix and Alphabet's Google. These stocks rose 26%, 22%, 38% and 13%, respectively, and three out of four are among the benchmark's top 10 constituents. Notably, none of these four stocks have ever paid a dividend. So while their potential for growth may be appealing for strategies that seek to capture price movements, they cannot be included in a strategy where the history of stable returns is based on capturing sustainable and growing shareholder yield: primarily dividends, along with share repurchases and debt reduction. A sector level analysis would attribute this to an underweight position and negative stock selection within information technology and consumer discretionary. The larger than index weight in energy was a benefit while an overweight to telecommunication services detracted.

## Outlook

Epoch is constructive on global equity markets, underpinned by economic growth and the adoption of new technologies. There are several risks to be mindful of, however, including the likelihood of greater volatility, wider credit spreads and potentially higher interest rates. Epoch believes its investment approach is well suited to this environment, where investment returns are more closely linked to company fundamentals. As always, Epoch seeks companies that can generate a growing stream of free cash flow and can allocate that cash effectively for the benefit of shareholders.

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